

Message Text

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C O N F I D E N T I A L SANTIAGO 3558

EXDIS

E.O. 11652: GDS

TAGS: EIND, CI

SUBJECT: ANACONDA

REF: SANTIAGO 3557

1. SUMMARY: JUNTA ECONOMIC ADVISER SAEZ OPTIMISTIC THAT ANACONDA SETTLEMENT CAN BE SUBSTANTIALLY ACHIEVED THIS WEEK; ATTACHES IMPORTANCE TO ANACONDA WILLINGNESS RESUME ACTIVITIES IN CHILE. END SUMMARY

2. I HAD INVITED RAUL SAEZ TO LUNCH WITH ME TODAY BEFORE I KNEW THAT ANACONDA TEAM WOULD BE IN TOWN. IN COURSE OF OUR TALK, WE COVERED ANACONDA NEGOTIATIONS.

3. I INFORMED SAEZ OF MY DEMARCHE, UNDER INSTRUCTIONS, TO ADMIRAL MERINO (SANTIAGO 3507) AND EMPHASIZED USG OPPOSITION TO CONCEPT OF APPLYING A RETROACTIVE EXCESS PROFITS DEDUCTION AS A POSITION OF BASIC PRINCIPLE REFLECTING OUR RESPONSIBILITIES FOR U.S. INVESTMENTS WORLD-WIDE.

4. SAEZ SAID HE UNDERSTOOD OUR POSITION AND THAT IT WAS THE ONLY POSITION USG COULD ADOPT. ON THE OTHER HAND, LOOKED AT FROM GOC POINT OF VIEW, EXCESS PROFITS CONCEPT CANNOT SIMPLY BE DISREGARDED FOR TWO POLITICAL REASONS: FIRST, THERE IS THE CONSTITUTIONAL AMENDMENT. SECOND, ANACONDA ITSELF ACCEPTED THE EXCESS PROFITS CONCEPT UNDER THE ALLENDE GOVERNMENT. WHEN I DEMURRED, SAEZ EXPLAINED THAT IN ARGUING AGAINST THE RULING OF THE CONTROLLER GENERAL, ANA-
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PAGE 02 SANTIA 03558 182258Z

CONDA HAD REJECTED THE EXCESS PROFITS CONCEPT BUT HAD THEN PRESENTED

A SUBORDINATE ARGUMENT THAT, IF THE RULING CALLING FOR AN EXCESS PROFITS DEDUCTION WAS TO STAND, THE EXCESS PROFITS DEDUCTION SHOULD BE CALCULATED DIFFERENTLY.

5. I SAID THAT I ASSUMED THAT WAYS COULD BE FOUND TO PRESENT A SETTLEMENT WHILE PROTECTING THE RESPECTIVE POSITIONS ON THIS SUBJECT. HOWEVER, THE CONTINUED PRESENCE OF THE EXCESS PROFITS ISSUE MEANS THAT THE TWO PARTIES ARE STILL FAR APART. SAEZ AGREED THAT A SATISFACTORY FORMULA FOR PRESENTATION OF A SETTLEMENT CAN BE FOUND. HE ACKNOWLEDGED THAT A WIDE GAP STILL SEPARATES THE PARTIES. NEVERTHELESS, HE SAID HE FULLY EXPECTED TO SETTLE THE ANACONDA CASE THIS WEEK OR TO ACHIEVE SUBSTANTIAL SETTLEMENT WHICH WILL LEAVE ONLY MATTERS OF DETAIL TO BE RESOLVED.

6. WHEN I QUESTIONED HOW THIS WAS TO BE ACHIEVED, SAEZ EXPLAINED THAT THE UNDERSTANDING WITH PHILIPPI IS THAT SAEZ WILL HANDLE THE "FINANCIAL SIDE" OF SETTLEMENT. THIS IS REALLY A EUPHEMISM FOR A NEW PHASE OF THE NEGOTIATIONS. THIS PHASE WILL BE REACHED AS SOON AS PHILIPPI REPORTS THAT HIS PEOPLE AND THE ANACONDA TEAM HAVE RESOLVED, TO THE EXTENT POSSIBLE, THE DISPUTED FIGURES ON WHICH THEY ARE WORKING. SAEZ HAS KEPT HIS CALENDAR FLEXIBLE IN ORDER TO BE ABLE TO DEAL WITH QUIGLEY AS SOON AS THAT POINT IS REACHED. SAEZ SAID THAT A CRITICAL ASPECT OF THIS NEW PHASE OF NEGOTIATIONS WILL BE QUIGLEY'S ANSWER TO A QUESTION SAEZ PUT TO HIM EARLIER THIS YEAR IN WASHINGTON AS TO WHETHER ANACONDA IS GENUINELY INTERESTED IN RESUMING ACTIVITY IN CHILE. SAEZ REITERATED THAT HE IS CONFIDENT HE AND QUIGLEY CAN REACH AN AGREED SETTLEMENT THIS WEEK.

7. I HAVE INFORMED QUIGLEY.
THOMPSON

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